



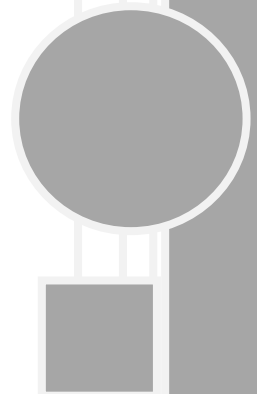
AUDIT REPORT

DALLAS COUNTY

DISTRICT CLERK REGISTRY TRUST - FY 2022

Darryl D. Thomas
Dallas County Auditor

ISSUED: 1/24/2023
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District Clerk Registry Trust - FY 2022

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This report is intended for the information and use of the agency/department. While we have reviewed internal controls and financial reports, this review will not necessarily disclose all matters of a material weakness. It is the responsibility of the department to establish and maintain effective internal control over compliance with the requirements of laws, regulations, and contracts applicable to the department



DALLAS COUNTY
COUNTY AUDITOR

MANAGEMENT LETTER

Honorable Felicia Pitre
District Clerk
Dallas, Texas

Attached is the County Auditor's final report entitled "**District Clerk Registry Trust - FY 2022**" Report. In order to reduce paper usage, a hard copy will not be sent through in house mail except to the auditee.

In you prefer that released reports be emailed to a different (or additional) recipient, please inform me of the name and the change will be made.

Respectfully,

Darryl D. Thomas

Darryl D. Thomas
County Auditor

EXECUTIVE SUMMARY

A review of the District Clerk Trust and Registry investments for fiscal year 2022 revealed the significant observations listed below:

Summary of Significant Observations:

- None identified

Repeat Observations from Previous Audits:

- Delays in posting disbursements and cancellations to Odyssey.
- Delays in updating interest amounts earned on registry accounts.
- Disbursements recorded to Odyssey with inaccurate information including incorrect amounts.

Only those weaknesses which have come to our attention as a result of the audit have been reported. It is the responsibility of the department management to establish and maintain effective internal control over compliance with the requirement of laws, regulations, and contracts applicable to the department.

INTRODUCTION

Dallas County Auditor's Office mission is to provide responsible, progressive leadership by accomplishing the following:

- Comply with applicable laws and regulations
- Safeguard and monitor the assets of the County utilizing sound fiscal policies
- Assess risk and establish and administer adequate internal controls
- Accurately record and report financial transactions of the County
- Ensure accurate and timely processing of amounts due to County employees and vendors
- Set an example of honesty, fairness and professionalism for Dallas County government
- Provide services with integrity
- Work in partnership with all departments to resolve all issues of the County
- Strive to utilize the latest efficient and effective technology in the performance of tasks
- Provide technical support and training in the development, implementation, and maintenance of information systems
- Hold ourselves accountable to the citizens of the County at all times
- Be responsive to the elected officials and department heads of Dallas County

The objectives of this audit are to:

1. Ensure compliance with statutory requirements
2. Evaluate internal controls
3. Verification of accuracy and completeness of reporting
4. Review controls over safeguarding of assets

This audit covered the period of October 1, 2021 through September 30, 2022.

The audit procedures will include interviews with key process owners, observation of transactions processing, data analysis and sample testing of transactions. The main system used will also be reviewed and incorporated as part of the testing of transactions.



DETAILS

Registry Court Ordered Funds

A sample review of 20 District Clerk Registry case jackets including court orders revealed funds for one case was invested 64 days after being received by department and one case did not have the funds noted as invested in Odyssey.

Per Local Government Code, Sec 117.052. Deposits OF REGISTRY FUNDS BY COUNTY AND DISTRICT CLERKS. (a) If a depository has been selected under Subchapter B, a county clerk or a district clerk who is to have for more than three days legal custody of money deposited in the registry of the court pending the result of a legal proceeding shall deposit the money in the depository. All Trust Fund disbursements should be timely and accurately posted to the Odyssey courts system. The lack of supervisory review, clerical error, and the lack of integrated financial systems has resulted in financial records not being accurately stated.

Recommendation

Registry Court Ordered Funds
Management should:

- Periodically review investment balances to safeguard funds and improve reporting accuracy.

Management Action Plan

This is a repeat finding. The main reason this occurs is that we do not always get a correct social security number for the minor that is involved. Our office has learned to not take the word of the Registry Deposit sheet. We have to have an actual copy of the social security card and so does the financial institution that we invest with. The attorneys, parents, or guardians do not always have a social security card. When they finally do produce the card it is well after the funds were deposited into the registry. For those times when it's not a matter of the social security number, we have implemented a plan using different colored folders that distinguish between general Registry Trust payouts, investments, and cash bond releases. The investment folders let us know that we need to stay on top of anyone who can get us a copy of the correct social security card.

Auditors Response

None

504 Outstanding Checks

A review of all outstanding checks for Fund 504 as of September 30, 2022 revealed five disbursements totaling \$20,742.61 remain outstanding in excess of six months without investigation and/or resolution and four stale dated disbursements totaling \$19,455 were not canceled in Odyssey. All Special Fund voids, cancellations, and stale dated checks should be timely and accurately posted to the Odyssey courts system as soon as the new disbursement status is received by the department. Lack of supervisory review of postings and a lack of



integrated financial systems resulted in inaccurate disbursement information reflected on cases and increased the potential for duplicate payments and/lost monies.

Recommendation

504 Outstanding Checks

Management should:

- Generate a daily Odyssey Transaction Listing report for disbursements/void disbursements and compare the report to the disbursement file received from Accounts Payable and the Treasurer's stale dated check listing to confirm all checks and canceled checks have been posted in the correct amounts and to the correct cases.

Management Action Plan

The new Trust supervisor has implemented using the Treasurer's Stale Dated Check report immediately when we receive it to cancel all outstanding checks if needed. The first step in this process is to contact the payee to find out why they haven't presented the check for payment. If the check is lost we do a stop payment and reissue.

Auditors Response

None

Fund 504 Errors Posted to Odyssey

A review of all District Clerk Registry and Trust Fund 504 disbursements issued during the fiscal year 2022 revealed errors in posting to Odyssey which included 11 disbursements totaling \$45,914.08 were not posted to Odyssey; three disbursements totaling \$10,000.00 were posted to Odyssey between 6 and 29 days after issuance; two disbursements were posted to Odyssey with the incorrect check number; and six disbursements were posted to Odyssey with the incorrect amount.

All Fund 504 disbursements issued, voids, cancellations, and stale dated checks should be timely and accurately posted to the Odyssey courts system and reconciled to the GL and bank statements to safeguard funds and improve reporting accuracy. Lack of management oversight over the reconciliation of non-integrated financial systems to timely identify and resolve clerical errors has resulted in inaccurate case balances and increased the potential that duplicate disbursements may be issued.

Recommendation

Fund 504 Errors Posted to Odyssey

Management should:



- Generate a daily Odyssey transaction listing report for disbursements and void disbursements and compare the report to the disbursement file received from Accounts Payable and the Treasurer's stale dated check listing/cancellations to confirm all checks and canceled checks have been posted in the correct amounts and to the correct cases.
- Reconcile fund balances and subsidiary (Odyssey) ledgers against control records (GL and bank statements) to safeguard funds and improve reporting accuracy.
- Update Odyssey to post disbursements issued and correct posting errors.

Management Action Plan

This is a repeat finding. In regards to delays in posting checks in Odyssey, sometimes this is unavoidable. This is sometimes due to delays in getting approval from the treasurer's office along with weekends and holidays. In those instances where we can improve this posting time, we will. Incorrect amounts and incorrect check numbers being posted to Odyssey will be addressed with the staff. This will help us come up with ideas to reduce the number of errors during the whole process.

Auditors Response

None

Inaccurate Odyssey Interest

A review of District Clerk Trust and Registry investment bank confirmations compared to investments recorded to Odyssey during fiscal year 2022 revealed delays in posting entries to Odyssey for interest amounts totaling \$50,754 earned on 305 accounts and 64 case balances from the department's report were \$3,857.06 less than the Odyssey report case balances. Specific control procedures related to Registry and Trust investment accounts include interest amounts in Odyssey being updated with the earned interest indicated on the monthly bank statement. Additionally, bank statements should be reconciled to the general ledger on a monthly basis. Limited reconciliation and the department not periodically updating interest amounts as they are earned resulted in inaccurate financial records.

Recommendation

Inaccurate Odyssey Interest
Management should

- Periodically review investment balances to safeguards funds and improve reporting accuracy.
- Periodically reconcile interest amounts earned in Odyssey to official records of banking institutions instead of adding interest just prior to the disposition of a case.

Management Action Plan

This is a repeat finding. Most of these differences in interest are due to the fact that our banks only send out an interest statement once a year. Audit gets their interest statement as of a different date (September



30th). The interest will never match. Certificates of Deposit are different than checking accounts in that they do not have a monthly bank statement. Odyssey doesn't calculate interest, it only states the interest that we input ourselves directly from the bank statement. This bank statement is only issued in most cases, once a year.

Auditors Response

None

Felony Cash Bonds Incorrectly Posted to Odyssey

A review of all felony cash bond receipts issued during fiscal year 2022 revealed 762 bond receipts totaling \$1,482,653.05 were posted to Odyssey between 12 and 115 business days after entry in AIS which includes 134 bond receipts totaling \$233,500 were from fiscal year 2021; 10 bond receipts recorded to AIS between 2018 and 2021 were posted to Odyssey in fiscal year 2022; three bond receipt numbers were entered incorrectly in Odyssey; three duplicate bond receipts totaling \$20,500 posted to Odyssey were not voided; 168 bond receipts totaling \$424,318 were posted to Odyssey in fiscal year 2023; and 296 bond receipts totaling \$633,682.20 were not posted to Odyssey.

Felony cash bond receipts should be accurately and timely recorded to Odyssey. Per Code of Criminal Procedure 33.07, each clerk of a court of record having criminal jurisdiction shall keep a record in which shall be set down the style and file number of each criminal action, the nature of the offense, the names of counsel, the proceedings had therein, and the date of each proceeding. Lack of supervisory review of the bond receipting process and clerical errors arising from the use of non-integrated financial systems resulted in inaccurate financial records and increased the potential for duplicate payments.

Recommendation

Felony Cash Bonds Incorrectly Posted to Odyssey
Management should:

- Develop a process to improve the tracking, recording, and reporting of felony cash bond activity within the Odyssey courts system.
- Reconcile the Daily AIS Bond Report to the Odyssey Registry and Trust Journal to ensure all receipts have been accurately posted.
- Develop a notification protocol with the Sheriff's department to process funds when amounts are transferred from the District Clerk bond account to other entities.

Management Action Plan

Most of this issue is due to Odyssey freezing up while entering these bonds from AIS. The Trust department has an open ticket with the Service Desk regarding this matter. This problem will go away when the District Clerk Criminal section comes on board with Odyssey. From the understanding we have



is that the Sheriff's office bonds will link to Odyssey and immediately update the system. Also, some bonds like out-of-county bonds do not make the AIS report.

Auditors Response

None

Interest on Odyssey does not reflect Form 1099-INT

A comparison of District Clerk's 1099-INT report to the Odyssey Registry report for interest earned during calendar year 2022 revealed the interest amount earned on 92 accounts in Odyssey do not reflect the interest reported on Form 1099-INT. A 1099-INT is required to be issued, with a copy filed with the IRS, to any account holder of an interest-bearing account for which more than \$10 of interest was paid in the tax year. All interest earned before the 10% admin fee deduction should be reported to the IRS. Clerical errors and insufficient training related to 1099-INT reporting resulted in inaccurate financial records and could potentially lead to IRS penalties for untimely and inaccurate information filings.

Recommendation

Interest on Odyssey does not reflect Form 1099-INT

Interest earned should be accurately and timely recorded to Odyssey and reported to the IRS on Form 1099-INT in the calendar year earned.

Management Action Plan

This is a repeat finding. The interest amounts on the TexPool 1099's are accurately reported. These Interest amounts come straight from a TexPool Excel report that is run every January. The only thing added to this report by the Trust department is a formula that calculates what 10 percent of the interest for the administration fee. We then subtract that from the total interest and that remaining amount is what is reported on each TexPool 1099. These amounts could be reported to Odyssey without taking a 10 percent deduction. The reason for this is because we do not actually take the 10 percent administration fee until the minor's account is closed out at the age of majority. We use the TexPool website as our record of interest earned because it is 100 percent accurate. The interest reports we do receive from TexPool are posted to Odyssey as soon as we can.

Auditors Response

None

cc: Darryl Martin, Commissioners Court Administrator